

Message Text

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ACTION EB-11

INFO OCT-01 EA-11 ISO-00 CCO-00 CIAE-00 OTPE-00 FCC-03

INR-10 NSAE-00 OC-06 RSC-01 COME-00 L-03 TRSE-00

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C O N F I D E N T I A L MANILA 0389

E.O. 11652: N/A

TAGS: PFOR, ETEL, RP, US

SUBJECT: RCA TAKES STEPS TO FILIPINIZE

1. EFFECTIVE JANUARY 1, RCA GLOBAL TELECOMMUNICATIONS TRANSFERRED ITS OPERATIONS IN PHILIPPINES TO DOMESTIC COMPANY NAMED PHILIPPINE GLOBAL COMMUNICATIONS, INC. PHIL GLOBCOM WILL HANDLE ALL INTERNATIONAL COMMUNICATIONS SERVICES IN PHILIPPINES HERETOFORE PERFORMED BY RCA GLOBCOM. AN ESTIMATED \$5 MILLION IN EQUIPMENT AND FACILITIES WILL BE TRANSFERRED TO PHILGLOBCOM AT SOME LATER DATE FOLLOWING RESOLUTION OF TAX QUESTIONS WITH US IRS.

2. IN APPLICATION TO BOARD OF COMMUNICATIONS REGARDING RATES AND TARIFFS, RCA STATED THAT TRANSFER EFFECTED "IN ANTICIPATION OF THE TERMINATION OF THE LAUREL-LANGLEY AGREEMENT" AND THAT PHILIPPINE SUBSIDIARY "WILL EVENTUALLY BE RESTRUCTURED TO A 60 PERCENT FILIPINO-OWNED CORPORATION". BOARD OF COMMUNICATIONS DECISION GRANTING TARIFF AND RATE SCHEDULE ECHOS RCA STATEMENTS AND ADDS THAT PLANS TO FILIPINIZE ARE IN AGREEMENT WITH "THE CONSTITUTIONAL MANDATE GOVERNING PUBLIC UTILITIES AND THE GOVERNMENT'S POLICY REQUIRING

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FOREIGN-OWNED INTERNATIONAL COMMUNICATIONS CARRIERS TO

RESTRUCTURE TO 60 PERCENT FILIPINO-OWNED ENTITIES."
GOP POLICY FURTHER REINFORCED BY CHAIRMAN OF COMMUNICATIONS BOARD, GENERAL CARREON, WHO IN ADDRESSING A U.S. COMMUNICATIONS EQUIPMENT TRADE MISSION TODAY STATED THAT THE GOVERNMENT HAD INFORMED THE INTERNATIONAL CARRIERS OF THE REQUIREMENT TO FILIPINIZE AND THAT HE HOPED THIS WOULD TAKE PLACE BY JUNE.

3. COMMENT: UNTIL NOW, BOTH RCA AND ITT HAD MAINTAINED THAT THE TERMINATION OF LAUREL-LANGLEY WOULD NOT AFFECT THE VALIDITY OR THE TERMS OF THEIR CONCESSIONS. WHILE THEY HAD EXPRESSED TO US PRIVATELY THEIR INTENTIONS TO FILIPINIZE, PLANS WERE TO CARRY THIS OUT OVER A PERIOD OF YEARS.

4. ALTHOUGH NEITHER RCA'S APPLICATION NOR THE BOARD'S REPLY SETS FORTH A SPECIFIC SCHEDULE FOR FILIPINIZATION, THE COMPANY'S PUBLIC ASSERTION THAT THE NEED TO FILIPINIZE IS DIRECTLY RELATED TO THE TERMINATION OF LAUREL-LANGLEY INVITES THE GOP TO PRESS FOR THIS SOONER RATHER THAN LATER. MOREOVER, RCA'S MOVE PUTS ITT UNDER CONSIDERABLE PRESSURE TO ADOPT A SIMILAR POSITION. IN FACT, ITT, MORE CIRCUMSPECTLY THAN RCA, HAS UNDERTAKEN FIRST STEP BY ANNOUNCING A MODEST SALE OF EQUITY TO THE FILIPINO STAFF.
SULLIVAN

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